

September 28, 2017

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Erica Hamilton, Commission Secretary

By email: commission.secretary@bcuc.com

Dear Madam:

Re: BCUC Project No.1598911, FortisBC Community Solar Pilot Project
Final Argument by Donald Scarlett

I advocate for the right of utility customers to generate clean and renewable electricity to 1) offset their own energy consumption and 2) beneficially add clean energy to the grid. On the surface, FortisBC's Community Solar Pilot Project (CSPP) appears to enable customers to do the first of these in a convenient fashion.

However, the CSPP under closer examination reveals itself to be a vehicle for extracting unjustified profit from customers whose trust in FortisBC (FBC) exceeds their understanding of the value of the energy they are being encouraged to purchase. FBC paints itself as responding to customer demand while designing the project to maximize its profit and incurring financial risk to its customer base.

FBC proposes to build a \$961,000 project, financing it at a very favourable rate that its customers would be delighted to be able to receive. In its response to Scarlett IR1 6, FBC stated: "The entire Project will be financed by FBC and recovered through rates from customers. The 5.97 percent rate of return (i.e., the discount rate), as discussed in Section 6.3.2 of the Application, is equivalent to the Company's approved 2017 after-tax weighted average cost of capital which is comprised of the cost of long-term debt, short-term debt, and common equity."

Better yet (for FBC), the Company proposes to charge customers \$91 per solar panel per year for 40 years (Response to BCSEA IR1 7.0). According to lines 28-9 on page 12 of FBC's Application, these panels generate an average of 33 kWh per month (396 kWh per year), which works out to 23 cents per kWh under the Virtual Solar Panel Option. Under the Solar Offset Option, the price would 24.8 cents per kWh (Ref: BCSEA IR1 7.0).

As if the price of CSPP energy weren't bad enough, FBC intends to apply 78% of a participating customer's solar credits to that customer's Tier 1 consumption (BCOAPO IR2 14.1 & 14.2). The 78% figure is based on the customer ratio of Tier 1 to Tier 2 sales across the FBC service area, but it is unjustifiable to apply it if FBC intends to treat CSPP participants as though they own the CSPP solar panels they are renting. If these customers did own their CSPP solar panels, the energy generated would be deducted from the *last* kilowatt-hours consumed during the billing period; generally those would be Tier 2 kilowatt-hours, which are about 50% more expensive. This 78% scheme appears to be an unjustifiable scheme to further increase FBC's profit from the CSPP. It should also be noted that in areas not served by natural gas, customers will average much lower ratios of Tier 1 to Tier 2 sales, which means they would suffer even more under the Company's 78% formula.

In contrast to the 23 – 24.8 cent price charged to CSPP participants, the Company in 2016 purchased energy from self-generators at 3.766 cents per kWh and from the BC Hydro Power Purchase Agreement,

the Brilliant Power Purchase Agreement, Brilliant Expansion and market for 4.246 cents per kWh (Ref: Scarlett IR1 7).

Clearly, there is a very large (and I submit, unreasonable) margin being charged by FBC to customers who simply want to purchase solar power. So why would anyone subscribe to such a program?

FBC states that “customer interest in solar energy” justifies CSPP (BCUC IR1 9.1) and goes on to say, “The CSPP is a customer driven project” (BCUC IR1 9.7).

Perhaps cynically, FBC states in response to BCSEA IR 4.2 that “customers may believe that participation in a solar project, whether rooftop or community based, will have a greater financial benefit than is the case. Customers may choose not to participate [in the CSPP] once the current economics of solar are understood.”

The Company also noted that: “It is also possible that respondents are guided only by a general perception that solar generation has a GHG reduction element without considering the particular context of FBC. However, it is the perception of GHG reduction that will lead to participation in the CSPP; the distinction has little impact on the actual action taken by customers” (BCUC IR2 19.3). The fact that FBC says it will provide more detail in its CSPP website and have a FBC representative talk to prospective CSPP subscribers (BCUC IR1 6.5) sounds good at first, but FBC employees are unlikely to tell customers anything that would discourage participation.

Indeed, the responses to the chain of BCUC IR2 questions through 19.13 suggest that FBC is less interested in informing its customers than polling their existing views in order to exploit them for profit. The CSPP is not necessary for FBC to meet either its own clean energy objectives or to meet any clean energy objectives put forth by government (BCUC IR1 9.3). Moreover, the Company appeared to be in a big hurry to implement the CSPP, given its request in the original application for a June 13, 2017 approval. As for concerns raised about whether prospective participants might demur when they learn how the CSPP works, FBC suggests that going ahead with the CSPP is the only way to find out if this is true (BCUC IR2 19.1 lines 20-21).

It’s fair to ask if this is a legitimate educational and environmentally responsible program or a PR exercise that essentially exploits the ignorance and hopefulness of customers for corporate profit?

The interests of CSPP participants need to be protected; but let us not forget the rest of FBC’s customers; are *they* being treated fairly? There’s nothing wrong with building a solar farm, but when a utility decides to build one without a guaranteed market of subscribers *and* has the ability to charge any losses to the non-participating customer base *and* gets a generous guaranteed return on its investment while charging such a steep premium to participating customers who may well figure out that they can do better outside the program, the whole project fails the test of public interest. Given that 40 years is a very long time to predict whether participants will stay in the program, the risk to non-participating customers is significant. An obvious risk is that CSPP participants will improve their understanding of the program or the price of solar panels will continue to fall dramatically as it has over the past decade.

The FBC response to BCUC IR1 13.3 illustrates the impact of rate escalation on the prospect of saving money on annual bills. In the 2 percent [FBC rate inflation] scenario, the point at which the customer will save enough to offset the panel cost occurs after year 40, while in the 4 percent scenario this offset occurs after year 17. Seldom would customers be so motivated to wish for utility rate increases.

Unsurprisingly, in response to BCUC IR2 23.6, FBC confirms that it would not proceed with CSPP if the Company could not recover CSPP expenses from non-participating customers. That's not exactly an expression of confidence in the viability of the project and benefit to the customers and the Province.

An interesting possibility is that FBC may permit savvy CSPP participants (assuming any customer who is savvy could be persuaded to participate) to game the system. Responding to BCUC IR1 15.3, FBC confirms that a customer under the Virtual Solar option can at any time reduce the number of panels they are subscribed to without penalty as long as they are subscribed to at least one panel. A sensible strategy for such a customer would be to subscribe to enough panels to offset as much consumption as possible during the summer, then reduce the number of panels to 1 over the winter.

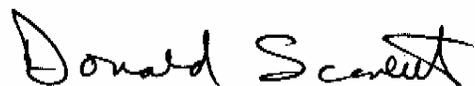
I would be remiss if I missed this opportunity to suggest an alternative the FBC's CSPP that would treat participants fairly, allow them to promote the development of clean solar, wind and microhydro power production and solve a problem that is bedeviling FBC at this very moment.

FBC's Net Metering (NM) program permits generation of up to 50 kW but the Company gets upset when its NM customers generate more than they use (net excess generation, or NEG). Yet NM customers who are willing to invest the money invariably find that their generation projects are more economical at larger scales. FBC could redefine aggregated NEG as a clean resource to sell to customers who can't generate power on their own properties. The Company could, for example, purchase the NEG for what BC Hydro pays for up to 100 kW of net excess NM generation (about 10 cents per kWh) and resell it to customers willing to buy clean, locally-produced energy. Those customers could expect to pay a slightly higher price than Tier 2 energy—which would offer FBC a reasonable profit—and be treated much more fairly than under the CSPP proposal.

It is worth noting that such a scheme would encourage more customers to enter the NM program, increase the generation of the cleanest energy in the Province, offer the advantage of distributed generation with reduced line losses and provide an much more attractive option to clean energy subscribers—all at zero cost to the utility or risk to its non participating customers.

FBC can not reasonably object to such a scheme because the NM program already exists and as such is not a "third party" generation proposal of the sort described in the response to ICG IR2 6.1.

Respectfully submitted,

A handwritten signature in black ink that reads "Donald Scarlett". The signature is written in a cursive, slightly slanted style.

Donald Scarlett